

PROVISIONS OF THE CIVIL SERVICE AND PROPOSED CIA RETIREMENT SYSTEMS

1. Contributions and Computation of Basic Annuities

a. Contributions: Both funds are contributory. The employee and the employing agency pay $6\frac{1}{2}\%$ of the employee's base pay into the retirement fund.

b. Computation of annuities: Under either system, the annuity is based on the employee's average salary for his highest-paid five consecutive years of service and his total years of service.

Under Civil Service retirement, the formula for computing an employee's earned annuity is graduated: $1\frac{1}{2}\%$ of high-5 salary for each of the first five years of service, $1\frac{3}{4}\%$ of high-5 salary for each of the second five years of service, and 2% of high-5 salary for the remaining years of service.

The annuity formula under the proposed CIA retirement system is slightly more generous than the Civil Service formula: 2% of high-5 salary times total years of service. (An annuity computed under this system is 3.75% of the high-5 salary more than an annuity computed under the Civil Service formula.)

2. Types of Retirement and Eligibility Requirements

Under either system, an employee must have a minimum of five years of service to qualify for retirement benefits. (Employees separated with less than five years of service receive a refund of their contributions.) Both systems permit credit for prior civilian service and for most military service.

a. Voluntary or Optional Retirement: Under Civil Service retirement, an employee may retire on his own request at age 60 with 30 years of service or at age 62 with five years of service; he may also retire voluntarily at age 55 with 30 years of service but his annuity is reduced 1% for each year he is under age 60.

Under the proposed CIA retirement system, an employee may voluntarily retire with the consent of the Director at age 50 with 20 years of service and there is no reduction in his annuity for being under age 60.

b. Discontinued Service Retirement: Under Civil Service retirement, an employee who is involuntarily separated (or resigns in lieu thereof) is eligible for an immediate annuity if he is (1) age 50 with 20 years of service or (2) any age with 25 years of service. However, his earned annuity is reduced 1% per year for each year he is under age 60 down to 55 and 2% per year for each year he is under age 55 down to 50.

Under the proposed CIA retirement system, the provisions for discontinued service retirement vary with the grade of the employee:

(1) The Director may involuntarily retire an employee in GS-14 or above if the employee has 10 years of CIA service which includes 5 years of qualifying service under the CIA retirement system. There is no reduction in his earned annuity for being under age 60. If the employee does not meet the service requirements, he may be involuntarily retired by the Director but receives the benefits of a GS-13 as described below.

(2) The Director may involuntarily retire an employee in GS-13 and below and the employee will receive separation compensation computed at the rate of one month's salary for each year of service up to 12 years. In addition, the employee may elect to receive either (a) a refund of his contributions or (b) a deferred annuity at age 60. If an employee who is in GS-12 or GS-13 who has elected to receive a deferred annuity should die before reaching age 60, he is considered to have died in service.

c. Disability Retirement: Under either system, an employee may be retired if he becomes disabled and there is no reduction in his annuity for being under age 60. He is guaranteed a minimum annuity representing the lesser of (1) 40% of his high-5 salary or (2) his annuity computed as if he continued in service to age 60. Both systems require periodic medical examination of disability retirees who have not been found to be permanently disabled and both provide for reemployment of recovered disability annuitants. Disability annuities are included under the Internal Revenue "sick pay exclusion" until the annuitant reaches optional retirement age.

There is a difference in the survivor annuity of a disability retiree. Under Civil Service retirement, the survivor's annuity is 55% of the employee's earned annuity even though he may actually receive a large annuity because of the guaranteed minimum. Under the proposed CIA retirement system, the survivor's annuity is 50% of the employee's annuity whether or not it is the guaranteed minimum or the earned annuity.

d. Mandatory Age Retirement: Under Civil Service retirement, an employee must retire at age 70 unless he has less than 15 years of service, in which case he may continue until he has 15 years. Exceptions require Presidential approval. However, an age retiree may be immediately reemployed on a temporary basis to serve "at the will of the appointing officer."

Under the proposed CIA retirement system, mandatory retirement age for employees in GS-18 or higher grades is age 65; for employees in grades below GS-18, it is 60. The Director may extend the individual's service for a period up to five years if he determines it to be in the public interest. He may also recall an annuitant to active service if he determines it to be in the public interest.

3. Survivor Benefits

a. Benefits to Survivor(s) of Retired Employee: Under either system, a retiring employee may elect to receive a reduced annuity in order to provide a survivor benefit for the widow or widower.

Under Civil Service retirement, the survivor's annuity is 55% of the employee's earned annuity. In order to provide this benefit, the employee's annuity is reduced by 2.5% of the first \$3600 and by 10% of the amount over \$3600. The annuity to the survivor terminates upon death or remarriage.

Under the proposed CIA retirement system, the survivor's annuity is 50% of the employee's earned annuity. In order to provide this benefit, the employee's annuity is reduced by 2.5% of the first \$2400 and by 10% of the amount over \$2400. The annuity of the survivor terminates upon death but does not terminate upon remarriage.

b. Benefit to Person Named by Retiring Employee: Under either system, a retiring employee may name a person having an insurable interest in the life of the retiree to receive a survivor benefit. The amount of the reduction in the employee's basic annuity depends on the difference in the ages of the employee and the named person. If the named person is older than the employee, it is 10%. If he is, for example, 11 years younger than the employee, the reduction is 20%, and if he is 30 years younger, the reduction is 40%. The amount of the annuity to the named person is computed in the same way as the annuity to a surviving widow or widower.

c. Death in Service Benefits: Under either system, the amount of death in service benefits depend on whether the employee is survived (1) by a widow or dependent widower only, (2) by a widow or dependent widower and a child or children, or (3) by a child or children only. The amount of annuity payable to a surviving child is the same under both systems: (a) if there is a surviving widow or dependent widower, each child receives the least of (1) 40% of the employee's high-five salary divided by the number of children; (2) \$600; (3) \$1800 divided by the number of children. If there is no surviving widow or dependent widower, each surviving child receives the least of (1) 50% of the employee's high-five salary divided by the number of children; (2) \$720; (3) \$2160 divided by the number of children.

Under Civil Service, a surviving widow or dependent widower receives an annuity of 55% of the annuity earned by the employee at the time of death but without reduction for being under age 60. This annuity terminates upon re-marriage or upon the dependent widower's becoming capable of self-support. Under the proposed CIA system, a surviving widow or dependent widower receives an annuity of 50% of the larger of (1) the employee's earned annuity at time of death, or (2) if the employee had less than 20 years of service, the annuity that he would have earned if he had remained in service for 20 years or until reaching mandatory retirement age for his grade. This annuity is not terminated by re-marriage; however, it is terminated upon a dependent widower's becoming capable of self-support.

4. Typical annuities are shown in the attachment.

ANNUAL ESTIMATED ANNUITIES

Type of Retirement Age and Years of Service	High-5 ^{1/} Average Salary	Basic Annuity ^{2/}		Reduced Annuity ^{2/}		Survivor Annuity ^{2/}	
		Civil Service	CIA	Civil Service	CIA	Civil Service	CIA
DISABILITY							
45 - 15	\$ 7500	\$3000	\$3000	\$2951	\$2880	\$1082	\$1500
	12500	5000	5000	4918	4780	1804	2500
	16700	6680	6680	6512	6192	2410	3340
50 - 20	7500	3000	3000	2933	2880	1494	1500
	12500	5000	5000	4817	4780	2492	2500
	16700	6680	6680	6345	6192	3329	3340
55 - 25	7500	3468	3750	3382	3555	1907	1875
	12500	5781	6250	5473	5805	3179	3125
	16700	7723	8350	7221	7695	4247	4175
OPTIONAL							
50 - 20	7500	-- 3/	3000	-- 3/	2880	-- 3/	1500
	12500	-- 3/	5000	-- 3/	4780	-- 3/	2500
	16700	-- 3/	6680	-- 3/	6192	-- 3/	3340
55 - 25	7500	-- 3/	3750	-- 3/	3555	-- 3/	1875
	12500	-- 3/	6250	-- 3/	5805	-- 3/	3125
	16700	-- 3/	8350	-- 3/	7695	-- 3/	4175
55 - 30	7500	4010 4/	4500	3878	4230	2205	2250
	12500	6685 4/	7500	6287	6930	3676	3750
	16700	8931 4/	10020	8308	9198	4912	5010
60 - 30	7500	4218	-- 6/	4067	-- 6/	2319	-- 6/
	12500	7031	-- 6/	6598	-- 6/	3867	-- 6/
	16700	9393	-- 6/	8724	-- 6/	5166	-- 6/
DISCONTINUED SERVICE							
45 - 15	7500	1968 5/	2250 5/	1919 5/	2194 5/	1082	1125
	12500	3281 5/	3750 5/	3199 5/	3555 5/	1804	1875
	16700	4383 5/	5010	4215 5/	4689	2410	2505
50 - 20	7500	2314 4/	3000	2257	2880	1272	1500
	12500	3858 4/	5000	3743	4780	2121	2500
	16700	5155 4/	6680	4910	6192	2835	3340
55 - 25	7500	3297 4/	3750	3215	3555	1813	1875
	12500	5496 4/	6250	5217	5805	3022	3125
	16700	7343 4/	8350	6879	7695	4038	4175
MANDATORY FOR AGE							
60 - 30	7500	-- 6/	4500	-- 6/	4230	-- 6/	2250
	12500	-- 6/	7500	-- 6/	6930	-- 6/	3750
	16700	-- 6/	10020	-- 6/	9198	-- 6/	5010
70 - 35	7500	4968	-- 7/	4742	-- 7/	2732	-- 7/
	12500	8281	-- 7/	7723	-- 7/	4554	-- 7/
	16700	11063	-- 7/	10227	-- 7/	6084	-- 7/

1/ The levels used are about the current rate for the third step of GS-9 (\$7490), GS-13 (\$12495), and GS-15 (\$16695).

2/ Employee's basic annuity reduced to provide survivor annuity.

3/ No provision for optional retirement below age 55 with 30 years of service.

4/ Annuity shown is earned annuity reduced for being under age 60.

5/ Annuity deferred to age 62 under Civil Service. Separation compensation plus annuity.

6/ Mandatory retirement age is 70.

7/ Mandatory retirement age is 60.